

# Senate File 2196 - Introduced

SENATE FILE \_\_\_\_\_  
BY DANIELSON

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act concerning the purchase of creditable service and  
2 postretirement adjustments to benefits under the municipal  
3 fire and police retirement system.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
5 TLSB 5883SS 82  
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1 1 Section 1. Section 411.6, subsection 12, paragraph d, Code  
1 2 2007, is amended to read as follows:  
1 3 d. A retired member eligible for benefits under subsection  
1 4 ~~1 of this section~~ is not eligible for the readjustment of  
1 5 pensions provided in this subsection unless the member served  
1 6 twenty-two years and attained the age of fifty-five years  
1 7 prior to the member's termination of employment or the member  
1 8 has made a purchase of the benefit provided under this  
1 9 subsection pursuant to section 411.6D.

1 10 Sec. 2. NEW SECTION. 411.6D ANNUAL READJUSTMENT OF  
1 11 PENSION BENEFIT PURCHASE.

1 12 1. An active member of the system who has been a member of  
1 13 the retirement system four or more years may elect to purchase  
1 14 eligibility to receive an annual readjustment of pension  
1 15 provided by section 411.6, subsection 12, subject to the  
1 16 requirements of this section.

1 17 2. A member seeking to purchase eligibility to receive an  
1 18 annual readjustment of pension pursuant to this section shall  
1 19 file a written application with the system requesting an  
1 20 actuarial determination of the cost of the purchase and pay  
1 21 the costs incurred by the system in determining the cost of  
1 22 the purchase. Upon receipt of the cost estimate for the  
1 23 purchase, the member has sixty days to sign a written  
1 24 agreement to purchase eligibility to receive an annual  
1 25 readjustment of pension and make contributions to the system  
1 26 in an amount equal to the actuarial cost of the purchase of  
1 27 eligibility. If a member retires within sixty days of the  
1 28 member's receipt of the cost estimate, the member has ninety  
1 29 days from the member's retirement date to purchase eligibility  
1 30 to receive an annual readjustment of pension.

1 31 3. For purposes of this section, the actuarial cost of the  
1 32 purchase of eligibility to receive an annual readjustment of  
1 33 pension as provided by section 411.6, subsection 12, is an  
1 34 amount determined by the system in accordance with actuarial  
1 35 tables, as reported to the system by the system's actuary,  
2 1 which reflects the actuarial cost necessary to fund an  
2 2 increased retirement benefit resulting from the purchase.

2 3 Sec. 3. NEW SECTION. 411.10 PURCHASE OF SERVICE CREDIT.

2 4 1. An active member of the system who has been a member of  
2 5 the retirement system four or more years may elect to purchase  
2 6 up to three years of service credit that will be recognized by  
2 7 the retirement system for purposes of calculating a member's  
2 8 benefit, pursuant to Internal Revenue Code section 415(n) and  
2 9 the requirements of this section.

2 10 2. a. A member seeking to purchase service credit  
2 11 pursuant to this section shall file a written application with  
2 12 the system requesting an actuarial determination of the cost  
2 13 of a purchase of service credit and pay the costs incurred by  
2 14 the system in determining the cost of the purchase of service.  
2 15 Upon receipt of the cost estimate for the purchase of service  
2 16 from the system, the member has sixty days to sign a written  
2 17 agreement to purchase service credit, including the specific  
2 18 number of months or years to be purchased, and make  
2 19 contributions to the system in an amount equal to the

2 20 actuarial cost of the service credit purchase. If a member  
2 21 retires within sixty days of the member's receipt of the cost  
2 22 estimate, the member has ninety days from the member's  
2 23 retirement date to purchase the service credit.  
2 24 b. For purposes of this subsection, the actuarial cost of  
2 25 the service credit purchase is an amount determined by the  
2 26 system in accordance with actuarial tables, as reported to the  
2 27 system by the system's actuary, which reflects the actuarial  
2 28 cost necessary to fund an increased retirement allowance  
2 29 resulting from the purchase of service credit.  
2 30 3. The system shall ensure that the member, in exercising  
2 31 an option provided in this section, does not exceed the amount  
2 32 of annual additions to a member's account permitted pursuant  
2 33 to section 415 of the federal Internal Revenue Code.

2 34 EXPLANATION

2 35 This bill makes changes to the municipal fire and police  
3 1 retirement system of Iowa (MFPRSI) created in Code chapter  
3 2 411.

3 3 New Code section 411.6D permits current members of MFPRSI  
3 4 with at least four years of service to purchase eligibility to  
3 5 receive an annual readjustment of their pension during  
3 6 retirement if they would not otherwise be eligible to receive  
3 7 this benefit. Under current law, only members who served 22  
3 8 years and attained the age of 55 years prior to the member's  
3 9 termination of employment are eligible for this readjustment  
3 10 of their pension during retirement. The bill provides that a  
3 11 member who wishes to purchase this benefit shall make  
3 12 application to the system and pay the costs incurred by the  
3 13 system in determining the actuarial cost of purchasing the  
3 14 benefit. Upon receipt of the cost of purchasing this benefit,  
3 15 the member has 60 days to agree to purchase the benefit and to  
3 16 pay the actuarial cost of purchasing the benefit. If the  
3 17 member retires within that 60-day period, the bill allows the  
3 18 member 90 days from the date of retirement to purchase the  
3 19 benefit. The actuarial cost of the purchase is defined as the  
3 20 cost necessary to fund an increased retirement benefit  
3 21 resulting from the purchase.

3 22 New Code section 411.10 permits current members of MFPRSI  
3 23 with at least four years of service to purchase up to three  
3 24 years of service credit under the system. The bill provides  
3 25 that the member is required to pay the full actuarial cost of  
3 26 the service purchase and must make application with the  
3 27 retirement system for the purchase of service. The bill  
3 28 provides that a member who wishes to purchase service credit  
3 29 shall make application to the system and pay the costs  
3 30 incurred by the system in determining the actuarial cost of  
3 31 purchasing the service credit. Upon receipt of the cost of  
3 32 purchasing service credit, the member has 60 days to agree to  
3 33 purchase the service credit, or so much of the purchase as the  
3 34 member designates, and to pay the actuarial cost of purchasing  
3 35 the service credit. If the member retires within that 60-day  
4 1 period, the bill allows the member 90 days from the date of  
4 2 retirement to purchase the service credit. The actuarial cost  
4 3 of the service purchase is defined as the cost necessary to  
4 4 fund an increased retirement allowance resulting from the  
4 5 purchase of the service credit.

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